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SUBJECT: BULGARIAN COURT REJECTS JEWISH COMMUNITY PROPERTY CLAIM

**¶1. SUMMARY:** In a July 6 decision, the details of which were not available until July 20, Bulgaria's highest court rejected the property claim of the Jewish community over a valuable piece of land in downtown Sofia that was nationalized during Communism and used for hotel construction. The decision has put an end to a nearly decade-long legal battle with the management company of the Rila Hotel, which bought a majority share of the property after the state privatized it in 2000. Despite its inconsistency with the reasoning in previous decisions, the Supreme Cassation Court ruling will likely preclude further claims in the Bulgarian court system. END SUMMARY

**¶2. Background:** The land on which the Rila Hotel now stands was originally acquired by the Jewish community in 1906-1911, and was the site of a Jewish school for a period of time. The property was nationalized by the state in 1962 for the purpose of building a hotel. In 1991, two years after the end of Communism, the State Arbitration Board ordered the Sofia municipality to turn over 48.87% of its ownership of the Rila Hotel to Shalom, the Jewish community's legal and administrative organization in Bulgaria. However, the ruling was never enforced. In 1996 Shalom initiated a suit to separate the 48.87% that Shalom claimed as the successor of the Sofia Israeli Synagogue Trusteeship from the other assets of Rila hotel. Meanwhile, in 2000, the state privatized a 51% stake in the Rila Hotel, which was bought by a company associated with gambling boss Vassil Bojkov, a.k.a., the Skull. Shalom's separation suit was twice rejected by the courts on the basis that Shalom failed to produce sufficient evidence that it was the legitimate successor of the Jewish organization that owned the property prior to its nationalization.

**¶3. Although this decision affirmed the ultimate ruling of the previous two courts, the logic behind the decision is different. Unlike the lower courts, the Supreme Cassation Court found Shalom to be the legitimate successor of the specific Jewish community that acquired the property in 1906-1911. However, the Supreme Cassation Court held that when the property was nationalized in 1962 by the state, funds were allocated at that time to compensate the Jewish community for the property. The court decision does not specify either the amount or the exact recipients of this compensation. Nevertheless, the court found that this expropriation procedure, including the compensation, was adequate and properly executed. Therefore, the state is seen to be the legitimate owner of the property from that point on, and for this reason the Supreme Cassation Court denied Shalom's claim.**

**¶4. Prior to the decision by the Supreme Cassation Court, the incumbent hotel owners offered Shalom's president, Emil Kalo, a deal valued at approximately \$321,000 in return for settling the dispute outside of court. The American Joint Distribution Committee urged Shalom to turn down the offer, which it did, and arranged for international legal consultants to assist with the case.**

**¶5. (SBU) Kalo told us that the court's decision came as no surprise to him. Despite efforts to publicize the case in the international press and garner public support for Shalom's claims, Kalo has always been concerned about Bojkov's ability to influence the court.**

**¶6. COMMENT:** The Supreme Court decision is final and effectively precludes any further legal claim over the Rila Hotel property by the Jewish community. If Shalom is not able to invoke a special court procedure to reverse the decision, the only option left is to refer the matter to the European Court of Human Rights and seek compensation from the Bulgarian state. Kalo, however, does not favor this course of action, for fear of the effect it might have on the state's generally benevolent attitude towards Shalom. While the Supreme Court's hearing, which took place on May 17, had been widely covered both by international and local media, the decision received little publicity.